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REPORT NO. 2020-21

TO: David Bateman, Director
Court and Operational Services Division

FROM: Melissa Dondero, Inspector General/Chief Audit Executive *md*

DIST: Ken Burke, CPA, Clerk of the Circuit Court and Comptroller
Teresa Del Rio, Executive Director, Court and Operational Services Division
Jeanette Phillips, Chief Deputy Director, Finance Division
Derelynn Revie, Manager, Probate Court Records Department

SUBJECT: Unannounced Audit of the Probate Court Records Department Change Fund and Notary Journals

DATE: October 26, 2020

This letter serves to inform you that the Division of Inspector General completed an unannounced audit of the Probate Court Records Department Change Fund and Notary Journals on September 24, 2020.

The objectives of our audit were to:

1. Reconcile the Change Fund and ascertain that the appropriate internal controls, safeguards, and policies and procedures are being followed, safeguarding the county funds under your departmental control.
2. Sample Notary Journals to ascertain that notaries are logging notarial acts, completing all Notary Journal fields, and not improperly using Deputy Clerk stamps in lieu of Notary stamps in accordance with established policies and procedures.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other auditing procedures as we considered necessary in the circumstances.



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The Probate Court Records Department Change Fund reconciled to the authorized amount. The department's internal controls and safeguarding of this fund are adequate; however, there are non-compliance issues related to policies and procedures.

In addition, the audit noted a non-compliance issue regarding adherence to existing documented policies and procedures for Notaries.

The issues are noted below.

1. A Change In Alternate Custodian Was Not Properly Documented And Approved.

Upon arrival at the unannounced audit on September 24, 2020, we noted the Change Fund alternate custodian was not the employee listed on the Finance Division's Imprest Fund General Ledger. The Finance Division's Imprest Fund General Ledger tracks approved departmental Change Fund and Petty Cash Fund custodians and subsequent changes in custodians upon receipt of the "REQUEST FOR PETTY CASH/CHANGE FUND" form. The Probate Court Records Department has an authorized Change Fund of \$600.

As part of our unannounced Imprest Funds audit process, we asked management if there was a recent modification in the Change Fund alternate custodian. Management confirmed the previous Change Fund alternate custodian transferred to another department in April 2020. We also inquired if the new custodian counted the fund and submitted the required form to the Finance Division subsequent to the re-assignment of the Change Fund alternate custodian.

Management confirmed the new Change Fund alternate custodian balanced the fund in the morning and in the evening of the day the prior custodian transferred. However, management did not submit the required documentation to notify the Finance Division of the new Change Fund alternate custodian. The primary custodian stated the department planned to submit the "REQUEST FOR PETTY CASH/CHANGE FUND" form to the Finance Division later in the year along with the department's annual inventory report.

The Finance Division's Petty Cash and Change Fund Policy and Procedures manual, Section V. A., states the following:

"The Department Director has the authority to approve any changes in custodians and to request changes in the amount of funds. All changes must be submitted in writing by sending a completed 'REQUEST FOR PETTY CASH/CHANGE FUND' form to the Chief Deputy Director of Finance."

Without proper documentation and approval for a change in custodian, the Probate Court Records Department is in non-compliance with the Finance Division's Petty Cash and Change Fund Policy and Procedures. The Imprest Fund General Ledger has an inaccurate record of the alternate custodian. Therefore, management is not aware of all

employees who can complete the daily tasks of balancing and securing the funds. With this lack of knowledge, management risks the funds being stolen, lost, or mismanaged by unauthorized employees who access the funds.

Management completed the "REQUEST FOR PETTY CASH/CHANGE FUND" form during the unannounced audit of the Change Fund and stated it would submit the form to the Finance Division immediately for approval.

We Recommend Management submit the "REQUEST FOR PETTY CASH/CHANGE FUND" form to the Chief Deputy Director of Finance to update the Change Fund alternate custodian.

Management Response:

Management Concurs. A request for Petty Cash/Change Fund form was completed and sent to the Chief Deputy Director of Finance on September 24, 2020.

2. Management Did Not Enforce Dual Access To The Safe.

As part of our unannounced Imprest Fund audit process, we inquired with management about its internal controls used to safeguard funds. During our unannounced audit, the Change Fund alternate custodian stated the \$600 Change Fund was stored in a locked room inside a safe. Four employees, which included the primary custodian and alternate custodian, had access to the room and the combination to the safe. The Change Fund alternate custodian routinely accessed the safe alone at the start and end of business, and intermittently throughout the day, to make change for customers.

The Clerk's Accounting Department's Vault Fund Balancing Procedure, Section 2.41, states the following:

"No one person shall be in the vault at anytime. Two people including a cash custodian should be in the vault anytime the safe is open."

Management stated it is difficult to have two authorized employees present when the safe is accessed. Often, the other employees are assisting customers, on break, or out of the office. However, dual access over funds is a best practice internal control used to safeguard cash and promote accountability.

Without dual safe access, management is in non-compliance with the Clerk's Accounting Department's Vault Fund Balancing Procedure. This creates greater risk for misappropriation of funds and lack of accountability for a discrepancy in the fund amount.

We Recommend Management require two employees, which includes one Change Fund custodian, to access the safe at all times in accordance with the Clerk's Accounting Department's Vault Fund Balancing Procedure.

Management Response:

Management Concurs. Two employees, including one Change Fund Custodian, are now present at all times the safe is accessed.

3. One Notary Public Had Incomplete Notary Journal Entries.

The Probate Court Records Department has three Notaries (employees) who perform notarial acts on behalf of the Clerk. We reviewed 100% of the entries in the Notary Journals for two employees and sampled the entries in two of six total Notary Journals for the third employee. We reviewed each Notary Journal entry to ensure all required fields were complete. Our review indicated one employee had 48 Notary Journal entries with 98 incomplete fields. The incomplete fields and number of instances for the employee are summarized in the following table:

Incomplete Fields	Number of Instances
Time	3
Type of Notarial Act	46
Form of Identification	1
Signer's Representative Capacity	48
Total	98

The Clerk's Notary Journal and Reference Guide states:

"As a Notary Public employed by the Clerk of the Circuit Court, you are required to complete a journal entry each time you perform a Notary Act."

The Clerk's Notary Checklist states:

"Signer(s) and you complete journal entry (make sure you have all information completed in your journal)."

The National Notary Association states:

"[The notary record] can protect Notaries if they are ever accused of misconduct or sued."

When we asked the Probate Court Records Department employee about the incomplete entries in the Notary Journals, the employee did not provide a reason for leaving the required fields blank.

Incomplete Notary Journal entries create non-compliance issues with the Clerk's Notary Journal and Reference Guide and the Clerk's Notary Checklist. In addition, an incomplete Notary Journal entry can create potential liability issues for the notary and the Clerk's Office.

We Recommend Management instruct Notaries to complete all sections and fields of the Notary Journal entry for all notarial acts provided.

Management Response:

Management Concurs. The notarial staff member has been retrained and instructed to complete all sections and fields of the Notary Journal for all notarial acts performed.

We appreciate your staff's cooperation during this audit.